

Executive Summary of the Restructured Agreement for Water Supply

September 16, 2005

Existing 11th Amended Agreement:

The Agreement for Water Supply and Construction of the Russian River-Cotati Intertie Project was entered into in 1974 and was last amended January 26, 2001 (11th Amended Agreement). The 11th Amended Agreement provides for the financing, construction, operation and maintenance of the water transmission system of the Sonoma County Water Agency (Agency). The 11th Amended Agreement limits the Agency's total delivery obligation from the transmission system to 148.9 million gallons of water per day (mgd) during the peak demand month. Specific delivery entitlements are set forth for each of the eight Water Contractors:

	<u>Average Day During Any Month</u> (peak month daily flow rate)	<u>During Fiscal Yr.</u> (annual cap)
City of Cotati	3.8 mgd	1,520 AF
City of Petaluma	21.8 mgd	13,400 AF
City of Rohnert Park	15.0 mgd	7,500 AF
City of Santa Rosa	56.6 mgd	29,100 AF
City of Sonoma	6.3 mgd	3,000 AF
Forestville Water District	1.5 mgd	
North Marin Water District	19.9 mgd	14,100 AF
Valley of the Moon Water District	<u>8.5 mgd</u>	3,200 AF
	133.4 mgd	

The 11th Amended Agreement further authorizes the delivery of up to 14,300 acre-feet (AF) of water annually to Marin Municipal Water District (Marin Municipal) at a flow rate not to exceed 12.8 mgd during the period from May through September. The agreement also includes 2.7 mgd for "Other Agency Customers".

The existing transmission system consists of the Santa Rosa, Forestville, Petaluma, Sonoma, and Russian River-Cotati Intertie Aqueducts, water production capacity (Raney Collectors), emergency wells, transmission system storage, water treatment facilities, and related buildings and appurtenances.

Also authorized by the 11th Amended Agreement are: (1) construction or acquisition of additions to the existing transmission system sufficient to meet the delivery obligations of the Agency (among these the most critically needed at this point in time are parallel additions to the Sonoma and Petaluma Aqueducts and additional storage at the Kawana site); (2) construction of additional Russian River water production facilities up to a total capacity of 168.9 mgd) so that the total water production capacity available at all times is not less than the average daily delivery to the regular customers and Marin Municipal (excluding surplus

water and water in excess of entitlements) during the month of highest historical use plus 20 mgd; (3) construction or acquisition of emergency wells with capacities which are from time to time determined by the Water Advisory Committee (WAC); (4) construction of additional facilities (up to a total capacity of 174.3 million gallons) to the extent necessary to maintain a quantity of water in storage equal to 1.5 times the average daily delivery to the regular customers except North Marin during the month of highest historical use; and (5) replacement of existing facilities and construction of additional facilities, related buildings and appurtenances as necessary to insure the reliable and efficient operation of the transmission system and to insure that the quality of the water delivered complies with all applicable state and federal requirements. Construction of such facilities is subject to legal and regulatory restrictions, including compliance with CEQA.

The 11th Amended Agreement also authorizes the Warm Springs hydroelectric project and acquisition of the Potter Valley Project (PVP) upon a determination by the Board of Directors of the Agency that such acquisition is necessary to insure the Agency's continued ability to make the water deliveries authorized by the 11th Amended Agreement and upon the approval of the WAC. As an alternative to acquiring the PVP, the Agency is also authorized to make annual payments to the owner of the PVP to insure the continued operation of the PVP provided the WAC approves such payments annually.

The 11th Amended Agreement also continues to provide for a uniform unit "per AF" operation and maintenance charge (O&M Charge) to cover the Agency's estimated cost of operations, and various unit capital charges for payment of the cost of capital facilities. The unit capital charges for aqueducts are broken down into various segments of the aqueduct system and Water Contractors pay the unit aqueduct charge associated with the aqueduct from which they are served. The 11th Amended Agreement also provides for the WAC whose members consist of representatives of the eight water contractors.

Proposed Restructured Agreement:

Commencing in September of 2001, the Water Contractors and the Agency determined to negotiate a new water supply agreement. After a number of public workshops and 4 ½ years of effort, the work product of the WAC is the Restructured Agreement for Water Supply (Restructured Agreement). The Restructured Agreement, when approved, will replace the 11th Amended Agreement.

Purpose: Its purpose is set forth in Sec. 1.1:

Among the purposes of this Agreement are to provide a water supply or a supplemental water supply for each of the Water Contractors, to encourage water conservation and recycled water use that reduces potable water use, to provide environmental improvements and enhancements to allow for sustainable and continued use of Russian River Project water, to encourage the development of local supply projects to offset potable water use, and to provide for payment to the Agency for water delivered hereunder sufficient to enable it to pay the capital costs of major

replacements and additions to the Transmission System and to meet its Revenue Bond obligations and its expenses of operating and maintaining the Transmission System.

Facilities: The Restructured Agreement does not authorize the construction of any new transmission system facilities. The transmission system facilities authorized in the 11th Amended Agreement remain unchanged in the Restructured Agreement. The option to acquire the Potter Valley Project or make payments to the owner of the Potter Valley Project to insure its continued operation - all subject to the approval of the WAC (Sec. 2.4 and Sec. 1.2(s)) also remain unchanged.

Entitlements: The Restructured Agreement does not change the “entitlements” contained in the 11th Amended Agreement, except that Forestville Water District (FWD) is shifted into the “Other Agency Customer” category and its consent is no longer required for subsequent amendments to the Restructured Agreement that do not impair the Agency’s delivery obligations to FWD (Sec. 1.6(c)). As part of this transition, the Forestville Aqueduct (including maintenance and replacement obligations) is transferred to FWD, and a payment to FWD, estimated at \$690,000, is provided to FWD for the construction of a new pipeline. In FWD’s place, coming from the “Other Agency Customer” category and joining the Water Contractor category, is the Town of Windsor (Sec. 3.1(a)). Windsor pays higher aqueduct service charges for 15 years as a “buy in” to the aqueduct system (Sec. 4.17). Windsor’s direct diversions from the Russian River (currently covered by an existing separate agreement with the Agency) are now recognized in the Restructured Agreement (Sec. 3.1(a)) and existing agreements between the Agency and Windsor are terminated or modified to conform to the Restructured Agreement (Sec. 1.4).

Other Changes: Other significant changes included in the new Restructured Agreement are:

- (1) **Water conservation requirements are expanded and permanent funding made available.** Regular Customers of the Agency (Water Contractors and Other Agency Customers) must become members of the California Urban Water Conservation Council, sign the Council’s Best Management Practices (BMPs) Memo of Understanding, implement the BMPs or alternative conservation measures that are at least as effective, and file required annual reports. Agency customers are encouraged to implement conservation projects that go beyond the BMPs (Sec. 1.12). A separate O&M sub-charge called the Water Conservation Sub-Charge and fund is created for conservation projects (Sec. 4.16).
- (2) **Funding for recycled water and local supply projects are now provided for in the agreement.** Recycled Water Projects are defined as projects that reduce use of potable water from the transmission system, reduce water diverted from the Russian River or its tributaries, or assist the Agency comply with environmental laws (Sec. 1.2(z) and 2.6). Local Supply Projects are defined as water supply projects that reduce demand on the Transmission System during June, July, August and September (Sec. 1.2(o)). Local supply in the amount of 40% of peak month demand is set as a goal (Sec. 1.15). A new separate Recycled Water and Local Supply Sub-Charge and fund are created (Sec. 4.15). The charge is limited to \$35/AF for the first 5 years. Recycled water or local supply

projects to be constructed or funded under the agreement must be approved by the WAC.

- (3) **Watershed planning and restoration is added.** Comprehensive watershed planning and restoration authorities are created and include consideration of public input (Sec. 2.8), and a new Watershed Planning and Restoration Sub-Charge and fund is created (Sec. 4.14). The charge is limited to \$35/AF for the first 5 years.
- (4) **Water management planning is called out.** Regional urban water management planning is required (Sec. 2.7) and a separate Water Management Planning Sub-Charge and fund created (Sec. 4.13).
- (5) **Planning coordination is added.** Consultation with planning agencies and authorities is provided for (Sec. 2.9)
- (6) **Shortage of Water and Apportionment** section is changed to provide a mechanism for dealing with demand hardening that occurs as a result of implementing long-term water conservation measures (Sec. 3.5(c)). The Agency is required at all times to have a water shortage allocation available (Sec. 3.5(d). In the event an Agency Customer takes water in excess of its allotment, a liquidated damage fee equal to 150% of the O&M Charge is assessed (Sec. 3.5(e)). Water Contractors, via unanimous vote, can decide among themselves how water available to Water Contractors as a group will be allotted (Sec. 3.5(f).
- (7) **WAC is reorganized** into two tiers – a committee of elected officials (one member and one alternate) meeting quarterly and a Technical Advisory Committee (TAC) that meets monthly. A chairperson and vice chairperson are created, each to serve a two year term. The WAC can create standing and ad hoc committees that it deems necessary. One standing committee – the Water Conservation Sub-Committee is created and reports to the TAC. Voting remains the same except that FWD’s “seat” is now taken over by the Town of Windsor.
- (8) **Powers of the WAC are expanded:**
 - (a) By November of each year, WAC shall review, approve and report to Agency, which proposed new Water Conservation, Recycled and Local Supply Projects are to receive funding (Sec. 5.3(e)).
 - (b) Provided Agency agrees, it will undertake watershed restoration projects or studies and ground water investigations approved by the WAC (Sec. 2.8(a), (b) & (c)).
 - (c) Regarding transfer of portion of “annual cap” from one WAC member to another, the WAC must approve such transfers (Refer to Item 11 below and Sec. 3.3(b)(2)).
 - (d) By affirmative vote of WAC, Agency may physically restrict deliveries to an aqueduct customer who is taking water in excess of its allotment during a water shortage emergency (Sec. 3.5(e)). (Note: The Agency can also, on its own initiative, so restrict such deliveries.)
 - (e) Subject to a unanimous vote, the WAC can preempt the Agency’s determination of how much water is allotted to each Water Contractor during a shortage and decide for itself what the allotments should be provided the total amount so allocated does not exceed the allocation determined by the Agency for the WAC as a group (Sec. 3.5(f)).
- (9) **Other Agency Customers** are identified and new service from the Agency to new customers allowed in this category is more limited (Sec. 1.2(u) and 3.2(b)).
- (10) **Use of Surplus Water for commercial irrigation is stopped.** Such service existing on the date the Restructured Agreement is signed is “grand fathered” (Sec. 3.4). Transfer of

Surplus Water customers to a qualifying Water Contractor(s) is encouraged and provided for. This is voluntary on the part of the Water Contractor.

- (11) **Transfer of a portion of the annual “cap” is added.** Under very specific circumstances and conditions including approval of the WAC and compliance with CEQA, transfer of a portion of the annual entitlement “AF” limit from one Water Contractor to another may be allowed (Sec. 3.3(b)).
- 12) **Record keeping requirements** are made more explicit (Sec. 1.8).
- (13) The **term is extended** from June 30, 2036 to June 30, 2040 (Sec. 1.3).

“Part 4 – Charges and Payments” appears to have a lot of changes but these are misleading. Separate Aqueduct capital recovery sections based on old bonded debt are now consolidated into one section as the old debt has been paid off. The only material changes in Part 4 are addition of charges for the Town of Windsor and the four new O&M Sub-Charges discussed above for: Water Management and Planning, Watershed Planning and Restoration, Recycled Water and Local Supply Projects, and Water Conservation.